



# INTERIM AUDIT GUIDELINE

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Interim Audit Guidelines are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. These guidelines explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts and are intended to communicate timely guidance of tax issues important to the public and agency staff where no published guidance exists. They are advisory for taxpayers; however, the Department is bound by these guidelines until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the interim audit guideline.

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## **Interim Audit Guideline 03.01 Taxability of Credit Bureau Services**

The purpose of this interim audit guideline is to instruct Department personnel on the taxability of credit bureau services. This guideline also provides instructions to audit field personnel on the proper tax treatment of buyers of credit bureau services where the service provider has not collected retail sales tax.

Credit bureau services are subject to the business and occupation tax under the retailing classification. Services defined as retail sales are also subject to the retail sales tax when the sale of the service occurs within the state. Persons who make sales of credit bureau services in this state are required to collect the retail sales tax on the selling price of the services. There is no sale-for-resale exemption from the retail sales tax applicable to sales of credit bureau services. Accordingly, all sales of credit bureau services in this state are retail sales. If a person who provides taxable credit bureau services fails to collect the retail sales tax, the Department may proceed directly against the buyer to collect any sales tax due. Credit bureau services are not subject to the use tax. Therefore, only the retail sales tax may be assessed against a buyer of credit bureau services.

Credit bureau services include the assembly or evaluation of information bearing on the credit worthiness of any person for the purpose of furnishing such information to third parties. Credit bureau services are not limited to assembly or evaluation of information provided for the purpose of extending credit. Credit bureau services also include the assembly or evaluation of any information provided to third parties who may rely on such information to determine whether to accept a check or other form of payment, enter into a lease transaction, or make any other decision where credit worthiness is a relevant consideration. For example, the Department has found check writer verification and tenant screening services to be credit bureau services.

WAC 458-20-103 provides that in the case of services which constitute sales, the place of sale is the location where the services are performed. Where such services are performed both within and without the state, the place of sale is where the services are primarily performed. In determining where credit bureau services are primarily performed an auditor should evaluate the location(s) of the following core or fundamental functions:

- Information gathering
- Information analysis

- Information formatting and explanation
- Information dissemination

The location of activities that are incidental or collateral to these functions does not alone cause the sale of credit bureau services to be considered made in the state where such activities occur. For example, the place where the credit report is delivered to the customer does not by itself dictate the place of sale.

If an auditor determines that a buyer of credit bureau services has not paid retail sales tax on such services, the retail sales tax should be assessed only if the services were primarily performed in Washington. Prior to assessing retail sales tax on purchases of credit bureau reports, an auditor should afford the taxpayer an opportunity to obtain information from its credit bureau service provider regarding the location of the performance of the services purchased by the taxpayer.